

TAYLOR HOUSING COMMISSION
TAYLOR, MICHIGAN

FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005
AND
REPORTS ON INTERNAL CONTROL AND
COMPLIANCE

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Taylor Housing Commission	County
Audit Date 3/31/05	Opinion Date 10/26/05	Date Accountant Report Submitted to State: 12/10/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☒ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☒ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) Barry E. Gaudette, CPA, PC			
Street Address 1107 E. Eighth Street	City Traverse City	State MI	ZIP 49686
Accountant Signature 		Date 12/10/05	

TAYLOR HOUSING COMMISSION
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INTRODUCTION

Barry E. Gaudette, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

1107 East Eighth Street
Traverse City, Michigan 49686
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Independent Auditor's Report

Board of Commissioners
Taylor Housing Commission
Taylor, Michigan

I have audited the accompanying financial statements of the business-type activities of the Taylor Housing Commission, Michigan, a component unit of the City of Taylor, as of and for the year ended March 31, 2005, which collectively comprise the Housing Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

The basic financial statements referred to above do not include financial data of the component unit, Taylor Community Development Corporation (a not-for-profit Michigan Corporation), which should be included in order to conform with generally accepted accounting principles.

In my opinion, except for the omission of the information mentioned in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Taylor Housing Commission, Michigan, as of March 31, 2005, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Taylor Housing Commission
Independent Auditor's Report
Page Two

In accordance with *Government Auditing Standards*, I have also issued my report dated October 26, 2005, on my consideration of Taylor Housing Commission, Michigan's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of my audit.

The management's discussion and analysis comparison information on pages 3 through 6, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that comprise Taylor Housing Commission, Michigan's basic financial statements. The accompanying financial data schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Housing Commission. The accompanying schedule of expenditures of federal awards, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Taylor Housing Commission, Michigan. The combining financial statements, schedule of expenditures of federal awards, and the financial data schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Barry E. Audette, CPA, PC

October 26, 2005

TAYLOR HOUSING COMMISSION
TAYLOR, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
March 31, 2005
=====

The Taylor Housing Commission, created in 1967, by the City of Taylor provides housing to meet the community's needs for affordable low-income housing. As management of the Housing Commission, we offer readers this narrative overview and analysis of the financial activities of the Housing Commission for the fiscal year ended March 31, 2005. We encourage readers to consider the information presented here in conjunction with the Housing Commission's financial statements.

Financial Highlights

The financial statements for Taylor Housing Commission consists of three programs. The first is owned housing, consisting of 102 units of public housing, the second is the capital funding program, and the third is the housing choice voucher program consisting of 455 qualifying low-income residents for rental housing.

Taylor Housing Commission had total revenues of \$3,473,913 that includes \$270,591 in rental payments and \$3,185,915 in federal assistance. Total revenues increased by \$283,560 from the prior year, in part, because of \$216,704 received for capital grants and \$63,592 more in operating grants from the federal government compared to the prior year. Total operating expenses were \$3,379,130, that includes \$271,965 in administrative expenses, \$118,669 in utilities, \$206,912 in ordinary maintenance and operation, \$2,589,799 in housing assistance payments, and \$132,394 in depreciation expense. The operating expenses increased by \$84,612, in part, because of increased general liability insurance expenses and more Housing Assistance Payments to landlords.

The assets of the Housing Commission exceeded its liabilities at the close of the most recent fiscal year by \$2,743,831. The Housing Commission's total net assets increased by \$94,783 from the prior year. The increase can be attributed, in part, to the capital fund grants received this fiscal year.

Total assets of the Housing Commission were \$2,955,794, of which \$624,389 consisted of current assets and \$211,963 of current liabilities. There was a net increase in total assets of \$269,493 from the prior year. The increase is due, in part, because of the increase in capital asset spending.

Financial Highlights (continued)

2005 Financial Audit Economic Analysis:

In response to an analysis of the Housing Commission's overall financial position and results of operations to assess whether financial position has improved or deteriorated during the year, including reasons for significant changes from the prior year and important economic factors that significantly affected operating results.

Answer: The Housing Commission's financial condition has improved from the prior year because of an increase in federal financial assistance.

A description of significant capital assets and long-term debt activity, including a discussion of commitments made for capital expenditures, changes in credit ratings, and debt limitations that may affect the financing of planned facilities or services.

Answer: There was not any long-term debt activity. Each year The Housing Commission receives capital funding for improvements and has a five year plan in place.

A description of currently known facts, decisions or conditions that are expected to have a significant effect on financial position or results of operations.

Answer: There are no facts, decisions or conditions currently known that are expected to have a significant effect financially on the Housing Commission.

Overview of the Financial Statements

The financial statements included in this annual report are those of a special-purpose government engaged only in a business-type activity. The following statements are included:

- * Statement of Net Assets - reports on the Housing Commission's current financial resources with capital and other assets and other liabilities.
- * Statement of Revenues, Expenses, and Changes in Fund Net Assets - reports the Housing Commission's operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions.
- * Statement of Cash Flows - reports the Housing Commission's cash flows from operating, investing, capital, and non-capital activities.

Financial Analysis of the Housing Commission

The following combined condensed balance sheets show a summary of changes for the years ended March 31, 2005 and 2004.

	<u>2005</u>	<u>2004</u>	<u>Net Change</u>
Current assets	\$ 624,389	\$ 438,959	\$ 185,430
Property and equipment	<u>2,331,405</u>	<u>2,247,342</u>	<u>84,063</u>
Total assets	<u>\$2,955,794</u>	<u>\$2,686,301</u>	<u>\$ 269,493</u>
Current liabilities	\$ 211,963	\$ 25,154	\$ 186,809
Noncurrent liabilities	<u> </u>	<u>12,099</u>	<u>(12,099)</u>
Total liabilities	<u>211,963</u>	<u>37,253</u>	<u>174,710</u>
Net assets:			
Invested in capital assets	2,331,405	2,247,342	84,063
Unrestricted	<u>412,426</u>	<u>401,706</u>	<u>10,720</u>
Total net assets	<u>2,743,831</u>	<u>2,649,048</u>	<u>94,783</u>
Total liabilities and net assets	<u>\$2,955,794</u>	<u>\$2,686,301</u>	<u>\$ 269,493</u>

Financial Analysis of the Housing Commission (continued)

The following table summarizes the Statement of Revenues, Expenses and Changes in Net Assets of the Housing Commission for the years ended March 31, 2005 and 2004.

	<u>2005</u>	<u>2004</u>	<u>Net Change</u>
Operating revenues:			
Dwelling rent	\$ 270,591	\$ 271,424	\$ (833)
Nondwelling rent	<u>4,785</u>	<u>4,205</u>	<u>580</u>
Total operating revenues	<u>275,376</u>	<u>275,629</u>	<u>(253)</u>
Operating expenses:			
Administration	271,965	276,235	(4,270)
Tenant services	2,148	1,367	781
Utilities	118,669	89,729	28,940
Ordinary maintenance and operation	206,912	198,383	8,529
General expenses	56,522	32,124	24,398
Extraordinary maintenance	721	34,044	(33,323)
Housing assistance payments	2,589,799	2,528,751	61,048
Depreciation	<u>132,394</u>	<u>133,885</u>	<u>(1,491)</u>
Total operating expenses	<u>3,379,130</u>	<u>3,294,518</u>	<u>84,612</u>
Non-operating revenue:			
Interest income	6,202	3,066	3,136
Operating grants	2,969,211	2,905,619	63,592
Capital grants	216,704		216,704
Other income	<u>6,420</u>	<u>6,039</u>	<u>381</u>
Total nonoperating revenue	<u>3,198,537</u>	<u>2,914,724</u>	<u>283,813</u>
Change in Net Assets	<u>\$ 94,783</u>	<u>\$ (104,165)</u>	<u>\$ 198,948</u>

FINANCIAL STATEMENTS

TAYLOR HOUSING COMMISSION
STATEMENT OF NET ASSETS
March 31, 2005
=====

ASSETS

Current Assets:	
Cash	\$ 244,174
Accounts receivable-tenants	178
Investments-unrestricted	355,403
Prepaid expenses	21,140
Due from other programs	<u>3,494</u>
Total Current Assets	<u>624,389</u>
Property, Plant, and Equipment:	
Land	760,000
Buildings	3,795,074
Equipment	373,410
Building improvements	<u>216,704</u>
	5,145,188
Less: accumulated depreciation	<u>(2,813,783)</u>
Net Property, Plant, and Equipment	<u>2,331,405</u>
Total Assets	<u><u>\$ 2,955,794</u></u>

See notes to financial statements

TAYLOR HOUSING COMMISSION
STATEMENT OF NET ASSETS (CONTINUED)
March 31, 2005
=====

LIABILITIES and NET ASSETS

Current Liabilities:	
Accounts payable	\$ 168,370
Tenant security deposit liability	27,166
Accrued expenses	12,228
Deferred revenues	705
Due to other programs	<u>3,494</u>
Total Current Liabilities	<u>211,963</u>
Net Assets:	
Invested in capital assets	2,331,405
Unrestricted net assets	<u>412,426</u>
Total Net Assets	<u>2,743,831</u>
Total Liabilities and Net Assets	<u>\$ 2,955,794</u>

See notes to financial statements

TAYLOR HOUSING COMMISSION
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
Year Ended March 31, 2005
=====

OPERATING REVENUES:

Dwelling rent	\$ 270,591
Non-dwelling rent	<u>4,785</u>
 Total operating revenues	 <u>275,376</u>

OPERATING EXPENSES:

Administration	271,965
Tenant services	2,148
Utilities	118,669
Ordinary maintenance and operation	206,912
General expenses	56,522
Extraordinary maintenance	721
Housing assistance payments	2,589,799
Depreciation	<u>132,394</u>
 Total operating expenses	 <u>3,379,130</u>

Operating income(loss)	<u>(3,103,754)</u>
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NONOPERATING REVENUES:

Investment interest income	6,202
Other income	6,420
Capital grants	216,704
Operating grants	<u>2,969,211</u>

Total nonoperating revenues	<u>3,198,537</u>
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Change in net assets	94,783
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Prior period adjustments, equity transfers and correction of errors	4,109
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Net assets, beginning	<u>2,644,939</u>
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Net assets, ending	<u>\$ 2,743,831</u>
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See notes to financial statements

TAYLOR HOUSING COMMISSION
STATEMENT OF CASH FLOWS
Year Ended March 31, 2005
=====

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from dwelling and nondwelling rents	\$ 275,903
Cash payments to other suppliers of goods and services	(2,963,177)
Cash payments to employees for services	<u>(278,027)</u>
Net cash (used) by operating activities	<u>(2,965,301)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Adjustments	(9,766)
Tenant security deposits	3,208
Operating grants	3,230,336
Other revenue	<u>6,420</u>
Net cash provided by noncapital financing activities	<u>3,230,198</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Capital grants	216,704
Payments for capital acquisitions	<u>(216,457)</u>
Net cash provided by capital and related financing activities	<u>247</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Certificates of deposits purchased	(104,987)
Receipts of interest and dividends	<u>6,202</u>
Net cash (used) by investing activities	<u>(98,785)</u>

Net increase(decrease) in cash	166,359
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Cash, beginning	<u>77,815</u>
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Cash, ending	<u>\$ 244,174</u>
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TAYLOR HOUSING COMMISSION
STATEMENT OF CASH FLOWS (CONTINUED)
Year Ended March 31, 2005
=====

**Reconciliation of cash and cash equivalents
per statement of cash flows to the balance
sheet:**

Cash	\$ 244,174
Restricted cash	<u> </u>
Cash and cash equivalents per balance sheet	<u><u>\$ 244,174</u></u>

**SCHEDULE RECONCILING OPERATING INCOME
TO NET CASH FLOW FROM OPERATING
ACTIVITIES:**

Operating income(loss)	\$(3,103,754)
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:	
Depreciation	132,394
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable-tenants	(164)
Prepaid expenses	774
Increase (decrease) in liabilities:	
Accounts payable	9,530
Accrued wage/payroll taxes payable	1,693
Accrued compensated absences	(6,465)
Deferred revenues	<u>691</u>
Net cash (used) by operating activities	<u><u>\$(2,965,301)</u></u>

See notes to financial statements

TAYLOR HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS
March 31, 2005
=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Taylor Housing Commission (the Housing Commission) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Housing Commission's accounting policies are described below.

The Reporting Entity

The Taylor Housing Commission is a component unit of the City of Taylor, a Michigan home rule city. The Housing Commission is a Public Housing Agency created by the City of Taylor on May 29, 1967, consisting of a five member board appointed by the City Manager and charged with the responsibility to provide and service housing to meet the community's needs for affordable low-income housing. These financial statements include all of the resources and activities of the Taylor Housing Commission over which the Housing Commission exercises operational control or which have financial significance to the Housing Commission. The Housing Commission has no component units and is not responsible for any jointly governed organizations.

Grants and Other Intergovernmental Revenues

The Housing Commission has entered into contracts with the U.S. Department of Housing and Urban Development (HUD). Under Contract C-871, the Housing Commission constructed, maintains and operates 102 units of subsidized housing in the City of Taylor, Michigan. The Housing Commission manages a Housing Choice Voucher program of subsidies for 455 qualifying low-income residents for rental housing. The Housing Commission receives an annual operating subsidy determined under a performance formula for units owned by the Housing Commission and an administrative fee based on the number of households it assists under its Housing Choice Voucher program.

Fund Financial Statements

The Housing Commission only has *business-type activities*, which rely to a significant extent on fees and charges for support. The fund financial statements include the Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows.

The Housing Commission is considered one single Enterprise Fund and does not have any governmental activities.

Fund Accounting

The accounts of the Housing Commission are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, equity, revenues, and expenses. The Housing Commission's fund structure includes only proprietary funds. Under generally accepted accounting principles, proprietary funds are grouped into two broad categories - enterprise and internal service funds. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered through user charges; or (b) where laws or regulations require that the activity's costs of providing services including capital costs (such as depreciation or debt service) be recovered with fees and charges rather than with taxes and similar revenues. All of the Housing Commission's funds are operated as enterprise type proprietary funds whereby costs of services are to be recovered through user charges or subsidies from other governmental units.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus. The Housing Commission's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

Under the economic resources measurement focus, all assets and all liabilities (whether current or noncurrent) are included in the balance sheets of the individual funds. Their reported net assets are segregated into invested capital assets and unrestricted net asset components. Operating statements present increases (revenues) and decreases (expenses) in net assets.

Under the accrual basis of accounting, all revenues are recorded when earned, regardless of when received, and all expenses are recorded when a liability is created, regardless of when paid.

In accordance with Governmental Accounting Standards Board Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, Taylor Housing Commission has elected to apply only those Financial Accounting Standards Board Statements issued prior to November 30, 1989 to its proprietary funds.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Housing Commission considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Insurance

The premiums on all major insurance policies are charged to prepaid insurance and amortized over the life of the policy.

Budgets and Budgetary Accounting

The Housing Commission is required under each of its HUD contracts to adopt an annual operating budget which must be approved by HUD. Budgetary data and comparison of actual and planned performance is reported directly to HUD based on specific program reporting requirements.

Receivables

All receivables are reported at their net value, reflecting where appropriate, by the estimated portion that is expected to be uncollectible. The Housing Commission estimates the uncollectible portion of tenant rents as a percentage of gross tenant rents using prior collection experience.

Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds. Receivables and payables arising from these transactions are classified as "due from other funds" and "due to other funds" on the statement of net assets.

Fixed Asset Capitalization

Fixed assets with a cost to acquire or construct of \$25 or more are capitalized and depreciated over their estimated useful lives. Depreciation is provided on a straight-line basis using the following estimate of useful lives:

Land improvements	20 - 40 years
Buildings	40 years
Building improvements	15 - 40 years
Equipment - portable	10 years
Furnishings	7 - 10 years
Office equipment	5 - 7 years

Net Assets

The Housing Commission classifies its net assets as follows:

- a. Invested in capital assets net of related debt represents all fixed assets acquired by the Housing Commission (both pre-FY 2001 and post-Fy 2001) reduced by accumulated depreciation and related capital projects debt issued to purchase those assets.
- b. Unrestricted net assets indicate that portion of net assets which is available for use in future periods.

Operating Revenues and Expenses

The Housing Commission includes in operating revenues resources that are derived or received from exchange transactions. Resources derived principally from non-exchange transactions are excluded from operating income. Operating expenses include the cost of providing services, excluding depreciation. Depreciation, amounts expended for capital additions and amounts expended for retirement-of-debt are excluded from operating expenses. Depreciation expense is charged to invested capital assets rather than unrestricted net assets.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of management estimates. The Housing Commission uses estimates of useful lives of its fixed assets and other estimates in preparing its financial statements. Actual results may differ from the Housing Commission's estimates.

Vacation and Sick Leave

The Housing Commission allows permanent employees to accumulate the following compensated absences:

- * Vacation leave: With the written permission of the Executive Director, up to two(2) weeks of paid vacation time may be accumulated and carried over from one year to the next year. If more than one(1) week is carried over to a subsequent year, at least one(1) week of that carried over vacation time must be used during the succeeding year. No employee may accumulate more than four(4) weeks of paid vacation time at any time. Employees who have unused vacation time that cannot be accumulated will receive payment for that portion of unused vacation on the first pay day following their anniversary date.

In the event an employee leaves the employ of the Housing Commission for any reason, the employee will be paid for any

accrued but unused vacation time, calculated on a pro-rata basis from their anniversary date on the next scheduled pay day.

- * Sick pay: All regular full time employees are eligible to accrue paid days off for sick leave. Paid sick days accrue at the rate of one(1) day for each calendar month of service, up to a maximum of thirty-four(34) days.

In the event an employee leaves the employ of the Housing Commission, payment of accrued but unused sick days will be as follows:

A. If the termination is the result of death or retirement, the employee will be paid one-half (1/2) of the cash value of the total of their accrued but unused sick days, paid at their rate of pay at the time of payment, not to exceed 17 days;

B. If the termination is the result of resignation, and the employee has a minimum of five(5) years of continuous employment with the Housing Commission, the employee will be paid one-third (1/3) of the cash value of the total of their accrued but unused sick days, paid at their rate of pay at the time of payment, not to exceed 11 days; and,

C. If the termination is involuntary, e.g. if the employee is terminated, payment of accrued but unused sick days will be at the discretion of the Housing Commission.

- * Personal leave. Unpaid personal leave may be granted for periods of up to four(4) weeks in length to all regular full-time employees who have worked for the Housing Commission for 180 days or more of continuous service.

The amount of accumulated benefits at March 31, 2005, was \$6,978, and is recorded as a liability in the applicable funds.

Post Employment Benefits

The provision for pension cost is recorded on an accrual basis, and the Commission's policy is to fund pension costs as they accrue.

Income Taxes

As a component unit of a Michigan home rule city, the Housing Commission is exempt from federal and state income taxes. The Housing Commission has no unrelated business income.

NOTE 2: DEPOSITS, INVESTMENTS AND CREDIT RISK

The Housing Commission maintains cash and investment accounts in the Low Rent Program and Housing Choice Voucher funds. Landlord checks are processed through the Housing Choice Voucher account. All other receipts and disbursements are processed through the Low Rent Program accounts.

Deposits

At year-end, the carrying amount of the Housing Commission's deposits were \$244,174 and the bank balance was \$256,410 of which \$100,000 was covered by federal depository insurance and \$156,410 were collateralized by securities held by its agent in the Housing Commission's name. The Housing Commission has \$300 in petty cash on hand.

Investments

The Housing Commission had the following investments in certificates of deposit as March 31, 2005:

National City (CD #2259240444)	\$255,403
National City (CD #4675098278)	<u>100,000</u>
	<u>\$355,403</u>

Interest Rate Risk - The Housing Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - The Housing Commission's investment policy approves the following securities and deposit accounts: U.S. Treasury bills, U.S. Treasury certificates, notes and bonds, certificate of deposits, commercial business savings accounts, money market accounts, obligations which are lawful investments for fiduciary and trust funds under the jurisdiction of the United States Government, Series E savings bonds and Series H savings bonds.

The Housing Commission shall deposit excess monies in the general fund and all other operating fund accounts in time, savings, or share accounts with banks or other institutions, to the extent that all unsecured deposits or accounts are insured by: the Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund (NCUSIF), or State Insurance plans which are approved by the United States Comptroller of the currency as an eligible depository of trust funds of National Banks, respectively.

All excess monies over the insured limits of the financial institution or banks, the Housing Commission shall obtain collateralization of excess funds at 100% of the principal value. Such collateralization shall be in the form of U.S. Treasury Notes

or Bonds in the name of the Housing Commission held in trust by the financial institution or bank. The Housing Commission may choose collateralization in the following form and percentages:

- | | | |
|-------------------------------------|---|----------|
| 1. U.S. Treasury Notes | - | 100%; or |
| 2. U.S. Treasury Notes and/or Bonds | - | 75% and |
| 3. Mortgage Backed Securities | - | 25% |

In any such case the collateralization shall be no less than 100% of value of the funds in all accounts. The financial institution shall provide a statement of the collateralization at a minimum once every quarter to the Housing Commission.

The Housing Commission has no investment policy that would further limit its investment choices.

Concentration of Credit Risk - The Housing Commission places no limit on the amount the Housing Commission may invest in any one issuer. All of the Housing Commission's investments are reported in the Enterprise Fund.

A reconciliation of cash as shown on the combined statement of net assets follows:

Cash on hand	\$ 350
Carrying amount of deposits	243,824
Investments	<u>355,403</u>
Total	<u>\$ 599,577</u>
Cash and cash equivalents:	
Enterprise activities	\$ 611,813
Enterprise activities - checks written in excess of deposits	<u>(12,236)</u>
Total	<u>\$ 599,577</u>

NOTE 3: RECEIVABLES AND PAYABLES

Tenant Accounts Receivable

Tenant accounts receivable are recorded at gross amount and reduced by the estimated amount uncollectible. At March 31, 2005, the receivables were \$178 with \$-0- estimated as uncollectible. Bad debt expense was \$-0-.

Accounts Receivables - HUD

Amounts due to HUD represents overfunding the Housing Commission has received. Balances at March 31, 2005 were as follows:

Housing Choice Voucher Program	<u>\$ 158,840</u>
--------------------------------	-------------------

Inter-fund Receivables, Payables, and Transfers

Interfund receivables and payables are recorded as "due from other programs" and "due to other programs".

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Low Rent Program	\$ 3,494	Housing Choice Voucher Program	\$ 3,494
	<u>\$ 3,494</u>		<u>\$ 3,494</u>

The capital fund program transferred \$27,261 to the Low Rent Program during the fiscal year ended March 31, 2005.

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2005 was as follows:

	<u>Balance 03/31/04</u>	<u>Additions/Retirements/ Transfers</u>	<u>Balance 03/31/05</u>
Capital Fund Program			
Building improvements	\$ 117,232	\$ 99,472	\$ 216,704
Low Rent Program			
Land	\$ 760,000	\$	\$ 760,000
Buildings	3,680,765	114,309	3,795,074
Furniture, equip. & machinery - dwellings	220,993		220,993
Furniture, equip. & machinery - administration	120,697	2,676	123,373
	4,782,455	\$ 116,985	4,899,440
Less accumulated depreciation	(2,652,345)	\$ (132,394)	(2,784,739)
Total	<u>\$2,130,110</u>		<u>\$2,114,701</u>

**Housing Choice
Voucher Program**

Furniture, equip.
and machinery-
administration

\$ 29,044 \$ \$ 29,044

29,044 \$ \$ 29,044

Less accumulated
depreciation

(29,044) \$ (29,044)

Total

\$ \$

Combined Totals

\$2,331,405

NOTE 5: CONTRIBUTED CAPITAL

Changes in invested in capital assets (formerly contributed capital) in the enterprise fund type for the year ended March 31, 2005, consist of the following:

Invested in
Capital Assets

Balance, beginning \$ 2,247,342

Investment in fixed assets, net of
depreciation paid for from operations
net of depreciation, not included in
contributed capital

84,063

Balance, ending

\$ 2,331,405

These reclassifications are investments in fixed assets, net of depreciation paid for from operations, not included in contributed capital.

NOTE 6: OTHER INFORMATION

A. Pension Plan

Each employee is covered under a defined benefit plan with the Michigan Municipal Employees Retirement System (MERS) that provides for annual employer contributions with complete vesting after 10 years of service and normal retirement age at 60 years of age. At December 31, 2004, the date of the last completed actuarial evaluation, the Housing Commission's present value of accrued benefits for retirement benefits was \$90,471. The valuation of assets to meet this obligation was \$89,557, therefore the unfunded amount is \$914. The Housing Commission computed employer contributions as a percentage of payroll of 5.52%. The Housing Commission made total employer retirement contributions of

\$191,794 on covered wages of \$10,136. There are five (5) active members, no vested former member, and no retirees and beneficiaries. Statistical information concerning the plan can be obtained from MERS, which is contained in their annual report.

B. Current Vulnerability Due to Certain Concentrations

The Housing Commission operates in a heavily regulated environment. The operations of the Housing Commission are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice to inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

C. Risk Management and Litigation

The Housing Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters for which it obtains coverage from commercial companies. The Housing Commission has had no settled claims resulting from these risks that exceed their commercial coverage in the current year or the three prior fiscal years.

D. Prior Period Adjustments, Equity Transfers and Correction of Errors

Low Rent Program

To void checks from the prior year	\$ 12,984
2001 cfp equity transfer	<u>94,482</u>
	<u>\$ 107,466</u>

Housing Choice Voucher Program

Change of HUD funding	<u>\$ 13,875</u>
-----------------------	------------------

Capital Fund Program

Correction of prior year operating transfer	\$ (22,750)
Equity transfer of cfp to low rent program	<u>(94,482)</u>
	<u>\$ (117,232)</u>

NOTE 7: SEGMENT INFORMATION

The Housing Commission maintains one Enterprise Fund that includes three separate programs which provide housing assistance and grant programs. Segment information for the year ended March 31, 2005, was as follows:

	<u>Low Rent Program</u>	<u>Capital Fund Program</u>	<u>Housing Choice Vouchers</u>
Condensed Statement of Net Assets			
Current assets	\$ 221,590	\$	\$ 402,799
Property & equipment	<u>2,114,701</u>	<u>216,704</u>	
Total assets	<u>\$ 2,336,291</u>	<u>\$ 216,704</u>	<u>\$ 402,700</u>
Current liabilities	<u>\$ 49,629</u>	<u>\$</u>	<u>\$ 162,334</u>
Net assets:			
Invested in capital assets	2,114,701	216,704	
Unrestricted net assets	<u>171,961</u>		<u>240,465</u>
Total net assets	<u>2,286,662</u>	<u>216,704</u>	<u>240,465</u>
Total liabilities & net assets	<u>\$ 2,336,291</u>	<u>\$ 216,704</u>	<u>\$ 402,799</u>
Condensed Statement of Revenues, Expenses, and Changes in Net Assets			
Dwelling and nondwelling rents	\$ 275,376	\$	\$
Depreciation	(132,394)		
Other operating expenses	<u>(410,870)</u>		<u>(2,835,866)</u>
Operating(loss)	<u>(267,888)</u>		<u>(2,835,866)</u>
Nonoperating revenues:			
Investment earnings	5,761		441
Other income	6,420		
Operating grants	137,992	27,261	2,803,958
Capital grants		216,704	
Operating transfers	<u>27,261</u>	<u>(27,261)</u>	
Change in net assets	(90,454)	216,704	(31,467)
Prior period adjustments	107,466	(117,232)	13,875
Beginning net assets	<u>2,269,650</u>	<u>117,232</u>	<u>258,057</u>
Ending net assets	<u>\$ 2,286,662</u>	<u>\$ 216,704</u>	<u>\$ 240,465</u>

**Condensed Statement
of Cash Flows**

Net cash provided
(used) by:

Operating activities	\$ (129,435)	\$ (2,835,866)
Noncapital financing activities	184,761 (22,750)	3,068,187
Capital and related financing activities	(22,503) 22,750	
Investing activities	<u>774</u>	<u>(99,559)</u>
Net increase (decrease)	33,597	132,762
Beginning cash and cash equivalents	<u>70,479</u>	<u>7,336</u>
Ending cash and cash equivalents	<u>\$ 104,076</u>	<u>\$ 140,098</u>

SUPPLEMENTARY INFORMATION

TAYLOR HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS
 March 31, 2005
 =====

	C-871 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
ASSETS		
Current assets:		
Cash	\$ 104,076	\$
Accounts receivable-tenant	178	
Investments-unrestricted	92,702	
Prepaid expenses	21,140	
Due from other programs	<u>3,494</u>	
Total current assets	<u>221,590</u>	
Property, plant, and equipment:		
Land	760,000	
Buildings	3,795,074	
Equipment	344,366	
Building improvements	<u>4,899,440</u>	<u>216,704</u>
Less accumulated depreciation	<u>(2,784,739)</u>	<u>216,704</u>
Net property, plant and equipment	<u>2,114,701</u>	<u>216,704</u>
Total Assets	<u><u>\$2,336,291</u></u>	<u><u>\$ 216,704</u></u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$ 140,098	\$ 244,174
262,701	178
	355,403
	21,140
	<u>3,494</u>
<u>402,799</u>	<u>624,389</u>
	760,000
	3,795,074
29,044	373,410
	<u>216,704</u>
29,044	5,145,188
(29,044)	(2,813,783)
	<u>2,331,405</u>
<u>\$ 402,799</u>	<u>\$ 2,955,794</u>

TAYLOR HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS (CONTINUED)
 March 31, 2005
 =====

C-871	Capital
Low Rent	Fund
Program	Program
<u>14.850</u>	<u>14.872</u>

LIABILITIES and NET ASSETS

Current liabilities:

Accounts payable	\$ 9,530	\$
Tenant security deposit liability	27,166	
Accrued expenses	12,228	
Deferred revenues	705	
Due to other programs		
	<u>49,629</u>	
Total current liabilities	<u>49,629</u>	
Total liabilities	<u>49,629</u>	

Net Assets:

Invested in capital assets	2,114,701	216,704
Unrestricted net assets	<u>171,961</u>	
Total net assets	<u>2,286,662</u>	<u>216,704</u>
Total Liabilities and Net Assets	<u>\$2,336,291</u>	<u>\$ 216,704</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$ 158,840	\$ 168,370
	27,166
	12,228
	705
<u>3,494</u>	<u>3,494</u>
<u>162,334</u>	<u>211,963</u>
<u>162,334</u>	<u>211,963</u>
<u>240,465</u>	2,331,405
	<u>412,426</u>
<u>240,465</u>	<u>2,743,831</u>
<u>\$ 402,799</u>	<u>\$ 2,955,794</u>

TAYLOR HOUSING COMMISSION
**COMBINING STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN NET ASSETS**
 Year Ended March 31, 2005

=====

	C-871 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
OPERATING REVENUES:		
Dwelling rent	\$ 270,591	\$
Nondwelling rent	<u>4,785</u>	<u> </u>
Total operating revenues	<u>275,376</u>	<u> </u>
OPERATING EXPENSES:		
Administration	59,550	
Tenant services	2,148	
Utilities	118,669	
Ordinary maintenance and operation	173,260	
General expenses	56,522	
Extraordinary maintenance	721	
Housing assistance payments		
Depreciation	<u>132,394</u>	<u> </u>
Total operating expenses	<u>543,264</u>	<u> </u>
Operating income(loss)	<u>(267,888)</u>	<u> </u>
NONOPERATING REVENUES:		
Operating transfers in (out)	27,261	(27,261)
Investment interest income	5,761	
Other income	6,420	
Capital grants		216,704
Operating grants	<u>137,992</u>	<u>27,261</u>
Total nonoperating revenues	<u>177,434</u>	<u>216,704</u>
Change in net assets	(90,454)	216,704
Prior period adjustments, equity transfers and correction of errors	107,466	(117,232)
Net assets, beginning	<u>2,269,650</u>	<u>117,232</u>
Net assets, ending	<u>\$2,286,662</u>	<u>\$216,704</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$	\$ 270,591
	<u>4,785</u>
	<u>275,376</u>
212,415	271,965
	2,148
	118,669
33,652	206,912
	56,522
	721
2,589,799	2,589,799
	<u>132,394</u>
<u>2,835,866</u>	<u>3,379,130</u>
<u>(2,835,866)</u>	<u>(3,103,754)</u>
441	6,202
	6,420
	216,704
<u>2,803,958</u>	<u>2,969,211</u>
<u>2,804,399</u>	<u>3,198,537</u>
(31,467)	94,783
13,875	4,109
<u>258,057</u>	<u>2,644,939</u>
<u>\$ 240,465</u>	<u>\$ 2,743,831</u>

TAYLOR HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS
 Year Ended March 31, 2005
 =====

	C-871 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from dwelling and nondwelling rents	\$ 275,903	\$
Cash payments to other suppliers of goods and services	(255,375)	
Cash payments to employees for services	<u>(149,963)</u>	
Net cash (used) by operating activities	<u>(129,435)</u>	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Adjustments	12,984	(22,750)
Tenant security deposits	3,208	
Due from/to other funds	(3,104)	
Operating transfers in (out)	27,261	(27,261)
Operating grants	137,992	27,261
Other revenue	<u>6,420</u>	
Net cash provided (used) by noncapital financing activities	<u>184,761</u>	<u>(22,750)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants		216,704
Payments for capital acquisitions	<u>(22,503)</u>	<u>(193,954)</u>
Net cash provided (used) by capital and related financing activities	<u>(22,503)</u>	<u>22,750</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Certificates of deposits purchased	(4,987)	
Receipts of interest and dividends	<u>5,761</u>	
Net cash provided (used) by investing activities	<u>774</u>	
Net increase(decrease) in cash	33,597	
Cash, beginning	<u>70,479</u>	
Cash, ending	<u>\$ 104,076</u>	<u>\$</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$	\$ 275,903
(2,707,802)	(2,963,177)
<u>(128,064)</u>	<u>(278,027)</u>
<u>(2,835,866)</u>	<u>(2,965,301)</u>
	(9,766)
	3,208
3,104	
3,065,083	3,230,336
<u> </u>	<u>6,420</u>
<u>3,068,187</u>	<u>3,230,198</u>
	216,704
<u> </u>	<u>(216,457)</u>
<u> </u>	<u>247</u>
(100,000)	(104,987)
<u>441</u>	<u>6,202</u>
<u>(99,559)</u>	<u>(98,785)</u>
132,762	166,359
<u>7,336</u>	<u>77,815</u>
<u>\$ 140,098</u>	<u>\$ 244,174</u>

TAYLOR HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
Year Ended March 31, 2005
=====

	C-871	Capital
	Low Rent	Fund
	Program	Program
	<u>14.850</u>	<u>14.872</u>

**RECONCILIATION OF CASH AND CASH
EQUIVALENTS PER STATEMENT OF CASH
FLOWS TO THE BALANCE SHEET:**

Cash	\$ 104,076	\$
Restricted cash	<u> </u>	<u> </u>
Cash and cash equivalents per balance sheet	<u>\$ 104,076</u>	<u>\$</u>

**SCHEDULE RECONCILING OPERATING INCOME
TO NET CASH FLOW FROM OPERATING
ACTIVITIES:**

Operating income(loss)	\$(267,888)	\$
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:		
Depreciation	132,394	
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable-tenants	(164)	
Prepaid expenses	774	
Increase (decrease) in liabilities:		
Accounts payable	9,530	
Accrued wage/payroll taxes payable	1,693	
Accrued compensated absences	(6,465)	
Deferred revenues	<u>691</u>	
Net cash (used) by operating activities	<u>\$(129,435)</u>	<u>\$</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$ 140,098	\$ 244,174
<u>140,098</u>	<u>244,174</u>
\$ (2,835,866)	\$ (3,103,754)
	132,394
	(164) 774
	9,530 1,693 (6,465) <u>691</u>
<u>\$ (2,835,866)</u>	<u>\$ (2,965,301)</u>

TAYLOR HOUSING COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND NOTES TO THE SCHEDULE OF FEDERAL AWARDS
Year Ended March 31, 2005
=====

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year	<u>Federal Grantor</u>	<u>CFDA No.</u>	<u>Expenditures</u>
	<u>U.S. Department of HUD</u>		
	<u>Public and Indian Housing Nonmajor - Direct Program</u>		
2005	Low Rent Public Housing	14.850	\$ 137,992
	<u>Public and Indian Housing Nonmajor - Direct Program</u>		
2005	Capital Fund Program	14.872	243,965
	<u>Low Income Public Housing Major - Direct Program</u>		
2005	Housing Choice Vouchers	14.871	<u>2,803,958</u>
	Total		<u>\$3,185,915</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

NOTE 1: Significant Accounting Policies

The schedule of federal awards has been prepared on the accrual basis of accounting.

CFDA = Catalog of Federal Domestic Assistance

TAYLOR HOUSING COMMISSION

FINANCIAL DATA SCHEDULE

Year Ended March 31, 2005

=====

FDS Line Item No.		C-871 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	ASSETS		
	Current Assets:		
	Cash:		
111	Cash-unrestricted	\$ 104,076	\$
100	Total cash	<u>104,076</u>	
	Receivables:		
126	A/R-tenants-dwelling rents	<u>178</u>	
120	Total receivables, net of allowance for doubtful accounts	<u>178</u>	
	Current Investments:		
131	Investments-unrestricted	<u>92,702</u>	
	Other Current Assets:		
142	Prepaid expenses and other assets	21,140	
144	Interprogram due from	<u>3,494</u>	
	Total other current assets	<u>24,634</u>	
150	Total current assets	<u>221,590</u>	
	Noncurrent Assets:		
	Fixed Assets:		
161	Land	760,000	
162	Buildings	3,795,074	
163	Furn, equip & mach-dwellings	220,993	
164	Furn, equip & mach-admin.	123,373	
165	Building improvements		216,704
166	Accumulated depreciation	<u>(2,784,739)</u>	
160	Total fixed assets, net of accumulated depreciation	<u>2,114,701</u>	<u>216,704</u>
180	Total noncurrent assets	<u>2,114,701</u>	<u>216,704</u>
190	Total Assets	<u>\$ 2,336,291</u>	<u>\$216,704</u>

Housing Choice Vouchers 14.871	Totals
\$ 140,098	\$ 244,174
140,098	244,174
	178
	178
262,701	355,403
	21,140
	3,494
	24,634
402,799	624,389
	760,000
	3,795,074
	220,993
29,044	152,417
	216,704
(29,044)	(2,813,783)
	2,331,405
	2,331,405
\$ 402,799	\$ 2,955,794

TAYLOR HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended March 31, 2005
 =====

FDS Line Item No.		C-871 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
LIABILITIES and NET ASSETS			
	Liabilities:		
	Current Liabilities:		
312	Accounts payable<=90 days	\$ 9,530	\$
321	Accrued wage/payroll taxes payable	5,250	
322	Accrued compensated absences	6,978	
331	Accounts payable-HUD PHA programs		
341	Tenant security deposits	27,166	
342	Deferred revenues	705	
347	Interprogram due to	<u> </u>	<u> </u>
310	Total current liabilities	<u>49,629</u>	<u> </u>
300	Total liabilities	<u>49,629</u>	<u> </u>
	Net Assets:		
508.1	Invested in capital assets	<u>2,114,701</u>	<u>216,704</u>
508	Total invested in capital assets	2,114,701	216,704
512.1	Unrestricted net assets	<u>171,961</u>	<u> </u>
513	Total Net Assets	<u>2,286,662</u>	<u>216,704</u>
600	Total Liabilities and Net Assets	<u>\$ 2,336,291</u>	<u>\$216,704</u>

Housing
Choice
Vouchers
14.871

Totals

\$ 9,530

5,250

6,978

158,840 158,840

27,166

705

3,494 3,494

162,334 211,963

162,334 211,963

2,331,405

2,331,405

240,465 412,426

240,465 2,743,831

\$ 402,799 \$ 2,955,794

TAYLOR HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended March 31, 2005
 =====

FDS Line Item No.		C-871 Low Rent Program 14.850	Capital Fund Program 14.872
	Revenue:		
703	Net tenant rental revenue	\$ 270,591	\$
704	Tenant revenue-other	4,785	
705	Total tenant revenue	275,376	
706	HUD PHA grants	137,992	27,261
706.1	Capital grants		216,704
711	Investment income-unrestricted	5,761	
715	Other revenue	6,420	
700	Total revenue	425,549	243,965
	Expenses:		
	Administrative:		
911	Administrative salaries	22,102	
912	Auditing fees	4,350	
914	Compensated absences	(6,465)	
915	Employee benefit contributions-adm.	7,928	
916	Other operating-administrative	31,635	
	Tenant Services:		
924	Tenant services-other	2,148	
	Utilities:		
931	Water	18,372	
932	Electricity	56,337	
933	Gas	43,740	
938	Other utility expense	220	
	Ordinary maintenance and operation:		
941	Ordinary maint & oper-labor	89,338	
942	Ordinary maint & oper-mat'ls & other	27,891	
943	Ordinary maint & oper-contract costs	23,743	
945	Employee benefit contributions	32,288	
	General expenses:		
961	Insurance premiums	56,522	
969	Total operating expenses	410,149	
970	Excess operating revenue over operating expenses	15,400	243,965

Housing
Choice
Vouchers
14.871

Totals

\$	\$	270,591
		<u>4,785</u>
		275,376
2,803,958		2,969,211
		216,704
441		6,202
		<u>6,420</u>
<u>2,804,399</u>		<u>3,473,913</u>

100,764	122,866
3,600	7,950
	(6,465)
27,300	35,228
80,751	112,386

2,148

18,372
56,337
43,740
220

	89,338
	27,891
33,652	57,395
	32,288

	<u>56,522</u>
<u>246,067</u>	<u>656,216</u>
<u>2,558,332</u>	<u>2,817,697</u>

TAYLOR HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended March 31, 2005
 =====

FDS Line Item No.		C-871 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	Expenses continued:		
	Other expenses:		
971	Extraordinary maintenance	721	
973	Housing assistance payments		
974	Depreciation expense	<u>132,394</u>	
	Total other expenses	<u>133,115</u>	
900	Total expenses	<u>543,264</u>	
	Excess (deficiency) of operating revenue over(under) expenses before other financing sources (uses)	(117,715)	243,965
	Other Financing Sources(Uses):		
1001	Operating transfers in (out)	<u>27,261</u>	(27,261)
1000	Excess (deficiency) of operating revenue over(under) expenses	(90,454)	216,704
1103	Beginning Net Assets	2,269,650	117,232
1104	Prior period adjustments, equity transfers and correction of errors	<u>107,466</u>	<u>(117,232)</u>
	Ending Net Assets	<u>\$ 2,286,662</u>	<u>\$216,704</u>

Housing
Choice
Vouchers
14.871

Totals

2,589,799 721
2,589,799 2,589,799
132,394

2,589,799 2,722,914

2,835,866 3,379,130

(31,467) 94,783

(31,467) 94,783

258,057 2,644,939

13,875 4,109

\$ 240,465 \$ 2,743,831

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**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with Government Auditing Standards**

Board of Housing Commissioners
Taylor Housing Commission
Taylor, Michigan

I have audited the financial statements of the business-type activities of the Taylor Housing Commission, Michigan, (Housing Commission) as of and for the year ended March 31, 2005, which collectively comprise the Housing Commission's basic financial statements and have issued my report thereon dated October 26, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on

Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards*
Taylor Housing Commission
Page Two

Compliance and Other Matters (continued)

compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, I noted certain matters that I reported to management of the Housing Commission, in a separate letter dated October 26, 2005.

This report is intended solely for the information and use of the audit committee, management, Board of Housing Commissioners, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Barry E. Stankett, CPA, PC

October 26, 2005

**Report on Compliance with Requirements
Applicable To Each Major Program and
Internal Control over Compliance
in Accordance with OMB Circular A-133**

Board of Housing Commissioners
Taylor Housing Commission
Taylor, Michigan

Compliance

I have audited the compliance of the Taylor Housing Commission , Michigan, (Housing Commission) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended March 31, 2005. The Housing Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the Housing Commission's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Commission's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the Housing Commission's compliance with those requirements.

Report on Compliance with Requirements
Applicable to Each Major Program and
Internal Control Over Compliance in
Accordance with OMB Circular A-133
Taylor Housing Commission
Page Two

Compliance (continued)

In my opinion, the Housing Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2005.

Internal Control Over Compliance

The management of the Housing Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the Housing Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses. I have noted other matters involving the internal control over financial reporting that I have reported to management of the Housing Commission in a separate letter dated October 26, 2005.

This report is intended solely for the information and use of the audit committee, management, Board of Housing Commissioners, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Barry J. Tunkl, CPA, PC

October 26, 2005

TAYLOR HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
March 31, 2005
=====

A. Summary of Audit Results

Financial Statements

1. Type of Auditor's Report issued: Qualified
2. Internal control over financial reporting:
 - a. Material weakness identified No
 - b. Reportable condition identified that is not a material weakness No
3. Noncompliance material to financial statements: No

Federal Awards

1. Internal control over major programs:
 - a. Material weakness identified No
 - b. Reportable condition that is not a material weakness No
2. Type of auditor's report issued on compliance for major programs Unqualified
3. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 No
4. Identification of major programs:

CFDA Number	Federal Program	Amount Expended	Major Program	Compliance Requirement	Questioned Costs	Audit Finding
14.850	Low Rent Public Housing	\$ 137,992	No	O	N/A	N/A
14.872	Capital Fund Program	243,965	No	O	N/A	N/A
14.871	Housing Choice Vouchers	<u>2,803,958</u>	Yes	O	N/A	N/A
	Total	<u>\$3,185,915</u>				

5. Dollar threshold used to distinguish between type A and type B programs \$300,000
6. Auditee qualified as low-risk auditee? Yes

TAYLOR HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
March 31, 2005

=====

B.	Financial Statement Findings	None
C.	Federal Award Findings and Questioned Costs	None

TAYLOR HOUSING COMMISSION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
March 31, 2005

=====

NONE

TAYLOR HOUSING COMMISSION
ADJUSTING JOURNAL ENTRIES
MARCH 31, 2005

=====

<u>Account Number</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
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LOW RENT PROGRAM:

There were no adjusting journal entries.

TAYLOR HOUSING COMMISSION
INDEPENDENT AUDITORS' REPORTS
ON COMMUNICATIONS WITH THE
AUDIT COMMITTEE/BOARD OF COMMISSIONERS
AND
MANAGEMENT ADVISORY COMMENTS

MARCH 31, 2005

TAYLOR HOUSING COMMISSION
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MARCH 31, 2005

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**INDEPENDENT AUDITORS' REPORT ON
COMMUNICATIONS WITH THE AUDIT COMMITTEE/
BOARD OF COMMISSIONERS**

To the Board of Commissioners
Taylor Housing Commission

I have audited the financial statements of the Taylor Housing Commission ("Housing Commission") as of and for the year ended June 30, 2005, and have issued my report, thereon, dated October 26, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I communicate certain matters to your audit committee or its equivalent. These communications are reported in the following paragraphs.

Auditors' Responsibilities Under Auditing Standards Generally Accepted in the United States of America - In planning and performing my audit of the financial statements, I considered your internal control in order to determine my auditing procedures for purposes of expressing my opinion on the financial statements and not to provide assurance on your internal control. Also, an audit conducted under auditing standards generally accepted in the United States of America is designed to obtain a reasonable, rather than absolute, assurance about the financial statements.

Significant Accounting Policies - The significant accounting policies used in the preparation of your financial statements are discussed in Note 1 to the financial statements. There were no audit adjusting journal entries and no controversial accounting issues.

Management Judgments and Accounting Estimates - Significant management judgments and accounting estimates are disclosed in the notes to the financial statements.

Other Information in Documents Containing Audited Financial Statements - All the information included in the financial statements document has been audited and our responsibilities are addressed in the Independent Auditors' Report.

**INDEPENDENT AUDITORS' REPORT ON COMMUNICATIONS WITH THE
AUDIT COMMITTEE - CONTINUED**

Audit Adjustments - For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in my judgment, may not have been detected except through my auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Housing Commission's financial reporting process (that is, cause future financial statements to be materially misstated). The attached audit adjustments, in my judgment, indicate matters that could have a significant effect on the Housing Commission's financial reporting process (see page 5 showing the audit adjusting journal entries).

Disagreements With Management - For purposes of this letter, professional accounting standards define disagreement with management as a matter concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. I am pleased to report that no such disagreements arose during the audit.

Consultations With Other Accountants - To my knowledge, management has not consulted with other accountants regarding auditing and accounting matters.

Major Issues Discussed With Management Prior to Retention - There was no discussions regarding the application of accounting principles or auditing standards with management prior to my retention as your auditor.

Difficulties Encountered in Performing the Audit - There were no difficulties encountered in performing the audit. The staff was very cooperative and helpful.

This report is intended solely for the information and use of the audit committee or its equivalent and management and is not intended to be and should not be used by anyone other than these specified parties.

I shall be pleased to discuss any of the matters referred to in this letter. Should you desire more information on the above communications, I would welcome the opportunity to discuss them with you.

Bary E. Jandott, CPA, PC

October 26, 2005

Barry E. Gaudette, CPA, P.C.

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**INDEPENDENT AUDITORS' REPORT ON
MANAGEMENT ADVISORY COMMENTS**

To the Board of Commissioners
Taylor Housing Commission

I have audited the financial statements of the Taylor Housing Commission ("Housing Commission") as of and for the year ended June 30, 2005, and have issued my report, thereon, dated October 26, 2005. I have also issued compliance reports and reports on the internal control in accordance with *Government Auditing Standards*. These reports disclosed no material instances of noncompliance, weaknesses and reportable conditions.

Other matters involving the Housing Commission's operations and internal control, which came to my attention during the audit, are reported on the following pages as management advisory comments.

I would like to take this opportunity to acknowledge the many courtesies extended to me by the Housing Commission's personnel during the course of my work.

I shall be pleased to discuss any of the matters referred to in this letter. Should you desire assistance in implementing any of the following suggestions, I would welcome the opportunity of assisting you in these matters.

Barry E. Gaudette, CPA, P.C.

October 26, 2005

TAYLOR HOUSING COMMISSION
MANAGEMENT ADVISORY COMMENTS
June 30, 2005
=====

Lack of Segregation of Duties in Check Writing in the Housing Choice Voucher Program

The Housing Commission's Housing Choice Vouchers Program has two employees who prepare the checks, have control over the signature machine and mail the landlord checks each month.

Lack of Segregation of Duties in Tenant Rent Deposits

The Housing Commission has one employee that is responsible for collecting the tenant rents, recording the receipts, prepares the deposits and usually takes the deposits to the bank for the low rent program.

I believe that there are some mitigating controls to the above segregation of duties issue as follows:

- a. Payments of rent in cash is not allowed.
- b. A software program is used for tenant accounting.
- c. prenumbered receipts are issued to each tenant.
- d. There is an audit trail consisting of the cash cutoff report, tenant receipt copy, deposit ticket, bank receipt, and a tenant ledger report.
- e. There are two employees in the Housing Choice Voucher program.

TAYLOR HOUSING COMMISSION
ADJUSTING JOURNAL ENTRIES
June 30, 2005

=====

<u>Account #</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
------------------	---------------------	--------------	---------------

There were no adjusting journal entries.